

March 22, 2006

Lawrence H. Norton  
General Counsel  
Federal Election Commission  
999 E Street, NW  
Washington, DC 20463

MUR # 5732

RECEIVED  
FEDERAL ELECTION  
COMMISSION  
OFFICE OF GENERAL  
COUNSEL

2006 MAR 31 1P 1:51

Re: Complaint against Matt Brown for US Senate, Democratic Party of Hawaii,  
Maine Democratic State Committee, and Massachusetts Democratic State  
Committee – Federal Fund

Dear Mr. Norton:

This Complaint is filed pursuant to 2 U.S.C. § 437g(a)(1) and 11 C.F.R. § 111.4 by the Republican State Parties of Hawaii, ~~Massachusetts~~ and Rhode Island (collectively “Republican State Parties”) against Matt Brown for US Senate (“Brown Campaign”), the Democratic Party of Hawaii, Maine Democratic State Committee, and Massachusetts Democratic State Committee – Federal Fund. The information contained in this Complaint is based upon recent newspaper articles and information and belief. The newspaper articles are attached as Exhibit A.

### Introduction

Matt Brown for US Senate is the principal campaign committee of Matthew A Brown, a candidate for the Democratic nomination for US Senate from the State of Rhode Island. (See Exhibit B.) Richard Pelletier is the current field director for the Brown Campaign and the former Executive Director of the Maine Democratic Party. (See Exhibit A.)

The Democratic Party of Hawaii (“HDP”) is the state party committee for the Democratic Party in the State of Hawaii. (See Exhibit C.) The Maine Democratic Party Committee (“ME Party”) is the state party committee for the Democratic Party in the State of Maine. (See Exhibit D.) The Massachusetts Democratic State Committee – Federal Fund (“MA Party”) is the state party committee for the Democratic Party in the Commonwealth of Massachusetts. (See Exhibit E.)

The Republican State Parties hereby request that the Federal Election Commission (“Commission”) initiate an immediate investigation into allegations concerning a purported contribution-funneling scheme by the Brown Campaign to launder earmarked contributions to the campaign through the Democratic state parties named above. If the Commission determines that the alleged scheme described below violates the Federal Election Campaign Act of 1971, as amended, and Commission regulations, it should hold those accountable by imposing the maximum penalties under law.

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### Legal Analysis

Federal law limits the amount an individual may contribute to a federal campaign committee to \$2,100 per election. 2 U.S.C. § 441a(a)(1); 11 C.F.R. 110.1(b). Federal law also provides that all contributions made by an individual to a federal campaign committee, including contributions that are earmarked or otherwise directed to the candidate through an intermediary, are considered contributions from the original individual contributor to the candidate. 2 U.S.C. § 441a(a)(8); 11 C.F.R. § 110.6. "Earmarked" is defined as a designation or instruction, whether direct or indirect, express or implied, oral or written, which results in all or any part of a contribution being made to a federal candidate's campaign committee. 11 C.F.R. § 110.6(b)(1). An "intermediary" is defined as any person, including a state party committee, who receives and forwards an earmarked contribution to a candidate's committee. *Id.* § 110.6(b)(2). The intermediary and the recipient campaign committee must satisfy unique reporting requirements for disclosing earmarked contributions. *See* 2 U.S.C. § 441a(a)(8); 11 C.F.R. § 110.6(c).

Even if the contributions were not earmarked for the Brown Campaign, the contributions may still count against the original contributor's contribution limits to the federal candidate. Federal law provides that if a contributor knows that a substantial portion of his or her contribution will be contributed by another person -- including a state party committee -- to a candidate and the contributor retains control over the funds, the aggregate amount of the moneys contributed to the candidate count against the contributor's contribution limits. *See* 11 C.F.R. § 110.1(h). If the aggregate amount of the donor's direct and indirect contributions to the campaign exceeds the federal limits, the contributions constitute excessive contributions in violation of federal law.

As the attached newspaper articles demonstrate, there is reason to believe that the contributions from the Hawaii, Maine and Massachusetts Democratic state parties to the Brown Campaign may have been earmarked contributions that caused some of the Brown Campaign donors to exceed the federal contributions limits to the campaign. Federal law prohibits campaign committees from earmarking contributions from maxed out donors through state party committees in an effort to evade the contribution limits. According to recent media reports, Brown Campaign and Democratic state party officials have indicated that such a scheme may have been set in motion. *See* M.L. Johnson, Hawaii Democrat Says Party Traded Money with Brown, Associated Press, March 1, 2006 ("In one case, his [Brown's Campaign] struck a deal in which the Hawaii Democratic Party would give a \$5,000 donation to Brown and in exchange, the party would receive money from Brown supporters, Jane Sugimura, the party's treasurer told the AP. 'That's what my understanding was,' Sugimura said in a phone interview."); *id.* ("Pat Colwell, chairman of the Maine Democratic Party, issued a statement saying the party donated to Brown at Pelletier's request, but would only donate to other state parties in the future."); *id.* ("Cindi Roy, spokeswoman for the Massachusetts Democratic Party, said a Brown staffer solicited to the donation.").

In addition, the Brown Campaign has acknowledged publicly that they steered donors to the Hawaii, Maine, and Massachusetts Democratic state parties. Lauren W. Whittington,

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Party Donor Had Maxed Out to Brown, Roll Call, March 2, 2006 ("A Brown spokesman acknowledged earlier this week that the Brown Campaign suggested to a few donors that they give money to the state parties that had been helpful to Brown."); Lauren W. Whittington, Three State Parties Donated to Brown, Roll Call, March 1, 2006 ("Brown spokesman Matt Burgess acknowledged that the campaign had asked a few of its donors to contribute to these state parties, where Brown campaign staffers had previous ties.").

In one case, it appears that at least one donor who had maxed out to the Brown Campaign contributed to the Massachusetts Party. See Lauren W. Whittington, Party Donor Had Maxed Out To Brown, Roll Call, March 2, 2006. FEC disclosure reports reveal that on March 30, 2005, Mr. Richard Bready contributed \$2,100 to the Brown Campaign's primary election account, and another \$2,100 to its general election account – the maximum allowed under federal law. (See Exhibit F.) On June 30, 2005, John M. Connors contributed \$1,900 to the Brown Campaign's primary election account, and another \$2,100 to its general election account. (See Exhibit G.)

The Brown Campaign contributors then sent money to the Massachusetts party. On November 16, 2005, John Connors contributed \$10,000 to the MA Party. (See Exhibit H.) On January 5, 2006, Richard Bready contributed \$5,000 to the MA Party. (See Exhibit I.)

Finally, on December 29, 2005, the Massachusetts Party contributed \$5,000 to the Brown Campaign's primary election account and another \$5,000 to its general election account. (See Exhibit J.) The Massachusetts Party has apparently asked for a \$5,000 refund from the Brown Campaign. See Lauren W. Whittington, Three State Parties Donated to Brown, Roll Call, March 1, 2006. However, even if the Brown Campaign complies with this request, the \$5,000 contribution may still violate law if it constitutes an earmarked contribution from maxed out Brown Campaign donors.

The 2005 Year-End Reports for the Hawaii and Maine Parties did not disclose contributions from the Brown Campaign donors listed above. However, the treasurer for the Hawaii Party has stated that there was a deal whereby the Brown Campaign would steer donors to the Hawaii Party in exchange for support for the campaign – although she now denies confirming the quid pro quo arrangement. Compare M.L. Johnson, Hawaii Democrat Says Party Traded Money with Brown, Associated Press, March 1, 2006 ("In one case, his [Brown's Campaign] struck a deal in which the Hawaii Democratic Party would give a \$5,000 donation to Brown and in exchange, the party would receive money from Brown supporters, Jane Sugimura, the party's treasurer told the AP. 'That's what my understanding was,' Sugimura said in a phone interview."), with, Mark Niesse, Dems to Return Alleged Tit-For-Tat Donation, Honolulu Star Bulletin, March 3, 2006 ("However, Sugimura said yesterday that she did not confirm a tit-for-tat arrangement."). Newspaper articles disclose the identity of the Brown Campaign donor to the Democratic State Parties as Richard Bready, a maxed out Brown Campaign donor. See Journal Staff, Brown Backer Gave in 3 States, The Providence Journal, March 9, 2006 ("The previously unknown donor who gave money to the Democratic parties in Hawaii and Maine after they sent donations to Secretary of State Matt Brown was Richard Bready, a member of

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Brown's campaign committee for the U.S. Senate, and a Brown donor who had already reached the lawful limit."'). The Hawaii, Maine and Massachusetts Democratic State Parties have reportedly asked the Brown Campaign for a refund of its donation. See Mark Niesse, Dems to Return Alleged Tit-For-Tat Donation, Honolulu Star Bulletin, March 3, 2006 ("Seeking to fix a 'mistake,' the Hawaii Democratic Party will reverse a series of transactions that channeled \$5,000 to a Rhode Island candidate for U.S. Senate, the state party chairman said yesterday."); Mark Arsenault, Brown Will Return Questioned Donations, The Providence Journal, March 4, 2006 ("Secretary of State Matt Brown will refund the full \$25,000 his US Senate campaign solicited from Democratic state parties in Massachusetts, Hawaii and Maine, because the contributions have raised too many questions."').

### Conclusion

For all the foregoing reasons, there is reason to believe that the Brown Campaign devised an alleged contribution laundering scheme whereby it steered donors to the Hawaii, Maine and Massachusetts Democratic state parties with the explicit or implicit agreement that the state parties would in turn contribute to the Brown Campaign. Accordingly, the Republican State Parties hereby requests that the Commission undertake an immediate investigation into this matter and, if the alleged scheme violates the Act and Commission regulations, impose the maximum penalties under law.

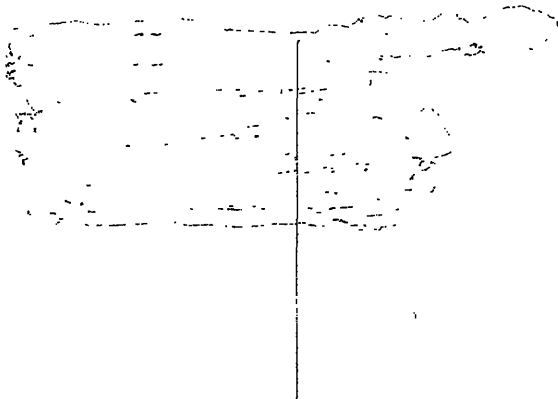
Respectfully submitted,



Name: Sam Aiona  
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Name: Patricia Morgan  
Title: State Party Chair  
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Warwick RI 02886



Patricia L. Morgan  
Name: Patricia L. Morgan

Title: Chairwoman

Rhode Island Republican Party

3351 Post Road

Warwick, RI 02886

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RECEIVED  
FEDERAL ELECTION  
COMMISSION  
OFFICE OF GENERAL  
COUNSEL

SWORN TO AND SUBSCRIBED before me this 14<sup>th</sup> day of April, 2006.

Geraldine Ann Souvalian  
Notary Public

My Commission Expires: 3/7/2009

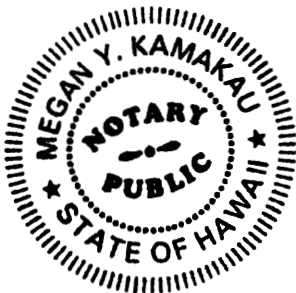


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State of Hawaii  
City and County of Honolulu

Attachments

SWORN TO AND SUBSCRIBED before me this 22 day of March, 2006.



Megan Y. Kamakau  
Notary Public

My Commission Expires:

MEGAN Y. KAMAKAU  
My Commission Expires: 12-5-2008

State of Rhode Island  
County of Providence

In Providence, in said county and state, on the  
30th day of March, 2006, appeared Patricia Morgan,  
Chairperson of the Rhode Island Republican Party  
who declared the foregoing signature to be her free act  
and deed and the free act and deed of the Rhode Island  
Republican Party.

Natalie A. Jadczyk  
Natalie A. Jadczyk  
Notary Public for Rhode Island  
My Commission Expires 9-6-08

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Accompanying Articles to Brown Complaint Filed By Hawaii Republican Party and Rhode Island Republican Party:

- I. The Associated Press. Brown heads to California to raise funds
- II. The Associated Press (WPRI): Matt Brown ducks questions while fundraising in California
- III. Providence Journal: Brown backer gave in 3 states
- IV. Roll Call's "At The Races". Rhode Island: Controversy Continues on Brown's Donations
- V. Associated Press: Brown donor who gave to Hawaii, Massachusetts also gave to Maine
- VI. The Associated Press: Questionable Donations To Brown Campaign Came As Fundraising Slowed
- VII. The Associated Press. Hawaii party denies role in donor scheme
- VIII. AP: Rhode Island donor to Hawaii Democrats had exceeded limit
- IX. Providence Journal Editorial: Matt Brown's fundraising flap
- X. Pawtucket Times: For Brown's campaign funds, 'aloha' means hello and goodbye
- XI. Roll Call: Rothenberg: The Other Guy Named Brown Now Has Problems, Too
- XII. Providence Journal: Brown will return questioned donations
- XIII. Providence Journal: Brown ensnared in primary-contest fundraising flap
- XIV. The Associated Press: Hawaii Democrats to pay back questionable campaign money
- XV. Roll Call: Party Donor Had Maxed Out to Brown
- XVI. The Associated Press: Hawaii Democrat says party traded money with Brown
- XVII. AP NewsBreak: Hawaii Democrat says party traded money with Brown
- XVIII. Roll Call: Three State Parties Donated to Brown

**I. The Associated Press: Brown heads to California to raise funds**

March 9, 2006

PROVIDENCE, R.I. --Secretary of State Matt Brown spent Thursday raising money in California for his Senate run, but did not address questions about money his campaign raised from three state Democratic parties.

Brown's spokesman, Matt Burgess, said Wednesday that Brown would be available for questions Thursday, but by Thursday, Burgess said Brown was busy and was not available.

Brown, a Democrat, is running for the Senate seat held by Republican Lincoln Chafee.

His campaign accepted \$25,000 in donations from three state Democratic parties on Dec. 31. Days later, Richard Bready, a member of Brown's campaign committee, donated \$5,000 to one of the parties and \$6,000 to the other two, raising questions about whether a deal had been cut to swap donations.

The treasurer of the Hawaii Democratic Party told The Associated Press that they had struck a deal in which the party would give money to Brown and in exchange would get money back from Brown supporters. Later, she said there was no such deal.

Brown has said he is returning the money, but denied any wrongdoing. He has not answered questions since it was revealed this week that Bready, who had already donated the maximum allowed by law to Brown, was responsible for the donations to all three state parties.

Federal election laws prohibit money exchanges that are made to avoid campaign donation limits on individuals. The Federal Elections Commission has said it will investigate if a complaint is filed.

Spokespeople for Brown's opponents in the Senate race -- Chafee, Cranston Mayor Steve Laffey and former Attorney General Sheldon Whitehouse -- said they had no plans to file an FEC complaint. A spokesman for the Rhode Island Republican Party said the party does not plan to file a complaint.

The Hawaii Republican Party had not decided whether it would take any action, said Chairman Sam Aiona.

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## **II. The Associated Press (WPRI): Matt Brown ducks questions while fundraising in California**

(AP) -- Secretary of State Matt Brown was fundraising in California yesterday after his campaign said he would answer questions about donations he received from Democratic parties in three states.

Brown's campaign for the U.S. Senate received five thousand dollars from the Hawaii Democratic Party and ten thousand dollars from both the Massachusetts and Maine Democratic parties on December 31st.

Days later, Nortek Chief Executive Richard Bready, a member of Brown's campaign committee, gave the parties thousands of dollars in donations. Matt Burgess, Brown's spokesman, had said that Brown would be available for interviews yesterday.

But yesterday afternoon, Burgess said Brown was tied up in a meeting.

## **III. Providence Journal: Brown backer gave in 3 states**

Richard Bready's donations to state Democratic parties raise questions about whether he was trying to skirt campaign-finance laws.

Thursday, March 9, 2006

PROVIDENCE -- The previously unknown donor who gave money to the Democratic parties in Hawaii and Maine after they sent donations to Secretary of State Matt Brown was Richard Bready, a member of Brown's campaign committee for the U.S. Senate, and a Brown donor who had already reached the lawful contribution limit.

Bready also gave \$5,000 to the Massachusetts Democratic Party on Jan. 5, one week after checks totaling \$10,000 had been donated to Brown from the same account, according to the Capitol Hill newspaper Roll Call.

Federal election laws prohibit money exchanges that are made to avoid campaign-donation limits on individuals. Bready and his wife, Cheryl, had already contributed \$4,200 each to Brown's campaign -- the legal limit.

Bready, chief executive of Nortek Inc., gave \$6,000 each to the Hawaii and Maine parties days after they contributed to Brown, raising questions about whether the goal was to skirt campaign-finance laws.

A Brown campaign spokesman last night declined to comment, except to say that the campaign is moving forward; Brown will be available for interviews today, his campaign said.

The Brown campaign has already acknowledged that it encouraged donors to give to state parties in Hawaii, Massachusetts and Maine. Brown announced last week that he would return \$25,000 in donations from the three state Democratic parties, saying he had done nothing wrong but he wanted to avoid the appearance of impropriety.

Party representatives in Massachusetts and Maine denied wrongdoing.

"I think the only mistake we made was getting involved in the vicious politics of Rhode Island," Maine Democratic Party Chairman Pat Colwell said yesterday after confirming Bready's Jan. 13 donation to his party.

But Jane Sugimura, the treasurer of the Hawaii party, told the Associated Press last week that a Brown campaign staffer arranged a tit-for-tat deal in which the party donated to Brown in exchange for money from Brown supporters. Faced with a barrage of media inquiries, she later said there was no such deal.

Brown is in a primary race with former Attorney General Sheldon Whitehouse for the Democratic nomination for the U.S. Senate seat held by Republican Lincoln Chafee; Chafee faces his own primary with Cranston Mayor Stephen Laffey.

The Federal Election Commission said it will investigate the Brown donations if a complaint is filed. A spokeswoman for Whitehouse's campaign said she does not know yet whether his campaign will file one.

With staff reports from Mark Arsenault



#### **IV. Roll Call's At The Races: Rhode Island: Controversy Continues on Brown's Donations**

March 9, 2006 - Lauren W. Whittington

A member of Rhode Island Secretary of State Matt Brown's (D) Senate campaign committee donated \$6,000 to the Hawaii Democratic Party after the party gave \$5,000 to Brown, The Associated Press reported Wednesday.

Nortek CEO Richard Bready, a Brown supporter who already had given the maximum contribution allowed to his campaign, made the donation to the Hawaii Democratic Party in January. Federal Election Commission records show that Bready also donated \$5,000 to the Massachusetts Democratic party in early January, just days after that party sent Brown \$10,000.

The disclosure that Bready was the Hawaii donor is the latest revelation in an ongoing controversy surrounding Brown and \$25,000 in contributions his campaign aides solicited from three state parties late last year.

Brown's campaign acknowledged that it had encouraged donors to give to the state parties that had given to him, leading his opponents to question whether there was a quid pro quo arrangement in place that could violate federal election laws.

Late last week Brown announced that he would return all of the contributions, although he maintained that there was nothing illegal or untoward about them.

The Hawaii Democrats also have said they will return the \$6,000 to Bready.

It is not yet known whether Bready or any other Brown donors gave to the Maine Democratic Party, which also sent \$10,000 to Brown on Dec. 31.

National Republicans currently have no plans to file a complaint against Brown with the Federal Election Commission

#### **V. Associated Press: Brown donor who gave to Hawaii, Massachusetts also gave to Maine**

March 8, 2006

PROVIDENCE, R.I. (AP) - The Matt Brown supporter who gave thousands of dollars to Democratic parties in Hawaii and Massachusetts after they gave donations to Brown's Senate campaign also gave six-thousand dollars to the party in Maine.

Nortek Chief Executive Richard Bready has given the maximum allowed to Brown's campaign, and questions have been raised about whether the arrangement was a way to skirt federal campaign finance law.

Brown has said his campaign did nothing wrong.

Now, Pat Colwell, chairman of the Maine Democratic Party, tells the A-P that Bready gave money to the party on January 13th -- two weeks after the party gave five-thousand dollars to Brown

Colwell says the party did nothing wrong -- and party officials did not know Brown faced fellow Democrat Sheldon Whitehouse in the primary.

He said their only mistake was -- quote -- "getting involved in the vicious politics of Rhode Island."

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**VI: Associated Press: Maine Party Chair Decries 'Vicious Politics Of Rhode Island'**

By M.L. Johnson

PROVIDENCE -- Secretary of State Matt Brown accepted questionable donations from three state parties for his Senate campaign at a time when his fundraising had slowed and he was about to launch an expensive series of television ads.

Brown announced last week that he would return \$25,000 in donations from state Democratic parties in Hawaii, Massachusetts and Maine, saying his campaign had done nothing wrong but he wants to avoid the appearance of impropriety.

Richard Bready, chief executive of Nortek Inc. and a member of Brown's campaign committee, gave \$5,000 to the Massachusetts party and \$6,000 each to the Hawaii and Maine parties days after they contributed to Brown, raising questions about whether the goal was to skirt campaign finance laws.

Party representatives in Massachusetts and Maine have denied wrongdoing.

"I think the only mistake we made was getting involved in the vicious politics of Rhode Island," Maine Democratic Party Chairman Pat Colwell said Wednesday after confirming Bready's Jan. 13 donation to his party.

But Jane Sugimura, the treasurer of the Hawaii party, told The Associated Press last week that a Brown campaign staffer arranged a tit-for-tat deal in which the party donated to Brown in exchange for money from Brown supporters. Faced with a barrage of media inquiries, she later said there was no such deal.

Federal election laws prohibit money exchanges that are made to avoid campaign donation limits on individuals. Bready and his wife, Cheryl, had already contributed \$4,200 each to Brown's campaign -- the legal limit.

Democrats consider the Rhode Island race a prime opportunity to chip away at the Republicans' five-seat majority in the Senate. Democrats outnumber Republicans 3-to-1 in Rhode Island, and Republican Sen. Lincoln Chafee is unpopular with some in his party.

Brown, one of two Democrats to throw their hats in the ring, has based much of his campaign on a clean government platform. But fundraising has been an issue for him almost since the beginning.

Brown got a strong start, raising more than \$500,000 in the two months after he announced his run in February 2005, according to records filed with the Federal Elections Commission.

Democrats expected U.S. Rep. James Langevin to run for the Senate seat. Langevin opposes abortion, and abortion rights can be a rallying cry for Democratic donors, said Thomas Sutton, a political scientist at Baldwin-Wallace College in Berea, Ohio, who studies state politics.

Then Langevin decided not to run, and Sheldon Whitehouse entered the race in April as an abortion rights Democratic candidate. The former attorney general drew some supporters from Brown, while other potential donors decided to wait to see who emerged from the primary, said Rick McAuliffe, a fundraiser for Democratic Lt. Gov. Charles Fogarty's run for governor.

Within six months, Whitehouse had overtaken Brown in the polls and in fundraising.

Brown, a former grassroots activist, had to find a way to raise more money for the primary, said McAuliffe, who donated to Brown's campaign for secretary of state but gave to Whitehouse's Senate campaign.

"How do you differentiate between you and the other candidate?" he said. "One is to show you can win the race."

Brown's campaign took a gamble: It decided to launch a series of television advertisements to boost his name recognition and standing in a Brown University poll. The campaign booked about \$180,000 worth of ads to start running right after the New Year and lead up to the February poll.

The risk paid off for Brown with a 15-point gain in the poll compared to the previous fall.

But he still had money problems after struggling through the end of last year, when he raised less money than he spent, according to FEC reports. By the end of the year, he had only \$480,000 on hand -- not nearly enough to compete with Whitehouse's \$1.6 million.

The donations from the three state parties came in Dec. 31. Bready sent his donations days later.

The FEC said it will investigate if a complaint is filed. Alex Swartsel, spokeswoman for Whitehouse's campaign, said she does not know yet whether his campaign will file one.

Fundraisers say the question now is whether the flap will hurt Brown's ability to raise enough money to continue in the race.

He is the only candidate who lacks significant personal wealth. His opponents -- Whitehouse, Chafee and Steve Laffey, the Republican mayor of Cranston -- have each loaned at least \$300,000 to their campaigns. All three rank in the top 10 among Senate candidates who have given to their own campaigns, according to the Center for Responsive Politics, a nonprofit, nonpartisan group that monitors campaign spending.

Brown loaned his campaign \$87,000 in January, according to his spokesman Matt Burgess.

Burgess said the recent controversy has only galvanized supporters, who feel their candidate has been the victim of negative campaigning by Whitehouse.

But Sutton said Brown has lost his ability to run as the outsider bent on reform.

"He's doing the party swap," he said. "So he can't really run on that now because he's playing the game like everybody else."

#### **VII. The Associated Press: Hawaii party denies role in donor scheme**

The Democrats could face an investigation by the Federal Elections Commission  
March 8, 2006 Mark Niese

A man who had reached his campaign limit for contributing to a Rhode Island candidate for the U.S. Senate gave money to the Democratic Party in Hawaii after the party had sent money to the candidate.

Richard Bready, the chief executive of Providence-based Nortek, Inc., wrote a \$6,000 check to the Hawaii Democratic Party after the party had given \$5,000 to Rhode Island Secretary of State Matt Brown, who is running for the Democratic nomination to the Senate on a clean-government platform, Hawaii party treasurer Jane Sugimura acknowledged yesterday.

Federal election laws prohibit money exchanges that are made to avoid campaign donation limits on individuals, Federal Elections Commission spokesman George Smaragdis said. It's also illegal for an organization to pass on contributions in someone else's name, he said.

Bready and his wife, Cheryl, had already given \$4,200 each to Brown's campaign -- the maximum allowed by federal law -- before Bready made the contribution to Hawaii and a similar contribution to Massachusetts.

The commission would start an investigation if it received a complaint, Smaragdis said. He declined to say whether a complaint had been filed.

Hawaii Democratic Party Chairman Brickwood Galuteria said last week it was a mistake for the state party to give the contribution to Brown. He said the error was in supporting a candidate in a primary race rather than a general election because the party doesn't usually take sides between two Democratic candidates.

But the Hawaii party disputes that there was a deal in place to support Brown in exchange for Bready's contribution.

Brown faces former Attorney General Sheldon Whitehouse in the Democratic primary for the Senate seat held by Republican Lincoln Chafee. Democrats consider the race one of their best opportunities to gain a seat in the Republican-dominated Senate.

The Brown campaign encouraged donors to give to state parties in Hawaii, Massachusetts and Maine; the latter two contributed \$10,000 each to Brown's campaign, said Matt Burgess, a spokesman for Brown.

Brown said last week he would return all \$25,000 to the three states. Sugimura said the party had sent a letter to Brown's campaign asking for Hawaii's \$5,000.

Sugimura told The Associated Press bureau in Providence in two phone interviews last week that a Brown campaign staffer had arranged a tit-for-tat deal in which the Hawaii party gave a \$5,000 donation to Brown in exchange for money to be received from Brown supporters. She later told The Associated Press in Honolulu that was not the case.

Bready also gave \$5,000 to the Massachusetts Democratic State Committee federal fund on Jan. 5, one week after checks totaling \$10,000 had been donated to Brown from the same account, according to the Capitol Hill newspaper Roll Call. The Massachusetts party has denied any tit-for-tat arrangement.

It was unknown until yesterday who had given the money to the Hawaii party. Burgess said last week that members of the campaign did not know who gave to the state parties, and the campaign did not know if it was Bready.

Bready is a member of the Matt Brown for U.S. Senate Campaign Committee and a well-known Rhode Island philanthropist. In an interview with the AP last week, Brown described Bready as a friend.

Since Bready's donation to Massachusetts was first reported, he has not returned several messages seeking comment.

The Hawaii Democratic Party has sent the \$6,000 back to Bready, Sugimura said.

#### **VIII. AP: Rhode Island donor to Hawaii Democrats had exceeded limit**

By Mark Niese, Associated Press Writer | March 7, 2006

HONOLULU --A member of Matt Brown's Senate campaign committee made a \$6,000 donation to the Democratic Party of Hawaii after it gave \$5,000 to Brown, party treasurer Jane Sugimura said Tuesday.

The deal may have violated campaign finance laws, current and former federal elections officials have said.

Richard Bready, the chief executive of Providence, R.I.-based Nortek, Inc., and his wife, Cheryl, had already given \$4,200 each to Brown's campaign -- the maximum allowed by federal law -- before Bready made the contribution. He also made a similar donation to the Massachusetts Democratic Party soon after it gave money to Brown.

Federal election laws prohibit money exchanges that are made to avoid campaign donation limits on individuals, Federal Elections Commission spokesman George Smaragdis said. It's also illegal for an organization to pass on contributions in someone else's name, he said.

Sugimura told The Associated Press in two phone interviews last week that a Brown campaign staffer arranged a tit-for-tat deal in which the Hawaii party gave a \$5,000 donation to Brown in exchange for money to be received from Brown supporters. She later said that was not the case.

Brown, who as Secretary of State is Rhode Island's top elections official, is campaigning as a clean-government candidate. He has put forward plans to publicly finance federal campaigns and introduce additional restrictions on lobbyists.

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Brown faces former Attorney General Sheldon Whitehouse in the Democratic primary for the Senate seat held by Republican Lincoln Chafee. Democrats consider the race one of their best opportunities to gain a seat in the Republican-dominated Senate.

Brown has maintained that the contributions were legal and his campaign has done nothing wrong. But he said last week he would return donations totaling \$15,000 from the Hawaii and Massachusetts parties, as well as \$10,000 in donations from the Maine Democratic Party.

Brown's spokesman, Matt Burgess, said last week that the campaign encouraged its supporters to give to Democratic parties in those three states. Burgess said at the time that he did not know who had contributed.

The Capitol Hill newspaper Roll Call first reported Bready's donation to the Massachusetts party last week, but it was not known until Tuesday that Bready was also responsible for money given to the Hawaii party. The Massachusetts party has denied any tit-for-tat arrangement.

Smaragdis said the FEC would start an investigation into Bready's donations if it received a complaint, but he declined to say whether a complaint had been filed.

Burgess said Tuesday that he did not know whether Bready made a donation to Maine. Brown and Bready were not immediately available for comment, Burgess said.

Bready is a member of the Matt Brown for U.S. Senate Campaign Committee and a well-known Rhode Island philanthropist. In an interview with the AP last week, Brown described Bready as a personal friend.

Brickwood Galuteria, chairman of the Hawaii state party, has said it was a mistake for the party to give the money to Brown. He said the error was in supporting a candidate in a primary race rather than a general election because the party doesn't usually take sides between two Democratic candidates.

The Hawaii Democratic Party has sent the \$6,000 back to Bready, Sugimura said.

#### **IX. Providence Journal Editorial: Matt Brown's fundraising flap** Tuesday, March 7, 2006

Matt Brown, who is campaigning for the U.S. Senate as a fresh face and a candidate of reform, was right to move quickly to tamp down concerns about his fundraising practices. Mr. Brown, the Rhode Island secretary of state, vowed to refund the \$25,000 his campaign solicited from Hawaii, Maine and Massachusetts late last year, while urging its supporters to contribute to those state parties.

While not necessarily illegal, that approach was one way to get around legal campaign limits, which have been put in place to limit the power of individuals to influence politicians. Funneling money through third parties is pervasive among politicians, many of whom focus more on winning elections than scrupulously observing the spirit of the law.

Former U.S. House Majority Leader Tom DeLay, for example, is facing charges over his role in moving corporate money from the national Republican party to state legislative races. Texas Democrats, for their part, sent a check in 2002 for \$75,000 to the Democratic National Committee, and got back \$75,000.

That money was given by a Brown contributor to the Massachusetts Democratic Party — and the party gave the money to Brown. It could have been a coincidence, or it could have meant more. Campaign financing can be a murky business, and there is no way to craft a law to perfectly eliminate third-party activities, without interfering with people's rights to contribute their own money to political causes.

But Mr. Brown properly stepped forward to make it clear that his campaign would not solicit money from third parties, while urging contributors to give to those third parties. The last thing that he wanted to do, presumably, was remind people of Tom DeLay.

**X. Pawtucket Times: For Brown's campaign funds, 'aloha' means hello and goodbye**

Jim Baron 03/06/2006

It was just starting to look like Matt Brown's improbable underdog candidacy for the U.S. Senate might actually take flight.

The latest Darrell West poll (and a couple of other surveys) showed him catching up to or passing his better-financed, party-establishment-backed opponent in the Democratic primary for U.S. Senate, Sheldon Whitehouse. That could be, as nit-picky critics implied, because Brown had just run a bunch of TV ads to boost his name recognition, or it could be that his outsider, reformer, non-traditional strategy was beginning to catch on.

The one thing he didn't need at this point, the one thing he couldn't afford, was an old-fashioned scandal involving campaign contributions and the party apparatus from other states. That is so old-politics. It undercuts everything Brown has been saying and doing since he started his Senate campaign more than a year ago

You heard about it: a story in the Capitol Hill newspaper Roll Call detailed how the secretary of state, who has based his campaign on lobbying reform and who just a week before had outlined a proposal to "take the influence of money out of politics" with public financing of campaigns, had received contributions from state parties in Hawaii, Maine and Massachusetts. A woman with the Hawaii Democratic Party told the Associated Press there was an understanding that they would send money to the Brown campaign with the understanding that Brown supporters would respond with donations to the Hawaii Democratic Party.

That sounds like a fair definition of money laundering to me.

If Matt Brown supporters could still legally give money to the campaign (if they had not already reached the legal limit) why wouldn't they just do that? Why would they, at the prompting of the campaign, Brown confirmed, send money halfway across the Pacific Ocean to Hawaii Democrats they probably never met and why would the Hawaii Democrats send money all that way to some guy named Matt Brown who is running in a primary against the Rhode Island state party's chosen candidate? Seems that just puts the U.S. Postal Service to a lot of work for nothing. It might not technically be a violation of campaign finance law (then again, it might), but it sure leaves the laws of common sense trampled underfoot.

The next day the Hawaii lady, whose name is Jane Sugimura, the treasurer of the Hawaii Democratic Party, didn't take back what she had said but somewhat incongruously insisted that she had not confirmed a quid-pro-quo arrangement, something that probably would have seen her, her bosses and Brown on the business end of a Federal Elections Commission investigation.

After ducking reporters' questions for the first few days of the scandal -- which the campaign tried to euphemize as a "fundraising flap," Brown finally emerged on Friday to answer questions, sort of.

Taking a "we-didn't-do-anything-wrong-but-we're-giving-the-money-back" stance, Brown stuck like glue to a set of talking points that went something like this:

- "All of the contributions were completely legal and disclosed in campaign finance reports."
- "Clearly, questions have been raised in some people's minds and I don't want to have anything to do with anything that raises any questions at all."
- "That's why we're giving all the money back."

Honest to God, I tried. I kept Brown on the phone a good 20 minutes trying to find ways to ask the questions that would get him to explain the reasons why Hawaii would send him money so his backers could send some to them, but no matter how I asked the question the answer inevitably came back in some form of one of those sentences above. After a while, it was almost comical.

When Brown did stray from his three stock sentences, it was to imply (as others in the campaign had earlier) that it was all Field Director Rich Pelletier's idea. Pelletier, who used to work for the Maine Democratic Party, had the contacts and made the approaches to people he knew, etc.

Pelletier was given up so quickly and so freely that I wouldn't be at all surprised to hear this week or next that he would be leaving the campaign to spend more time with his family. That's just a guess, but it probably is a good one. Somebody has to take a bullet for this and it isn't going to be the candidate.

The real question is: Can the Brown campaign survive this "fundraising flap?"

Will it be able to keep raising money? Will it ever be able to stop answering questions about the incident and go back to a message of its own? Are the "outsider" and "reform" underpinnings of the campaign now permanently undercut?

When the West poll came out, I thought about writing a column about how Brown could parlay his new lead to raise new money to make a set of new commercials showing himself as the new, youthful, reform-minded candidate for the future. I would have suggested he run spots emphasizing opponent Whitehouse's backing by the powers-that-be, that he perhaps use one whole commercial just to tie Whitehouse at the hip with his mentor, former Gov. Bruce Sundlun.

If he were really bold, Brown could air spots showing Democratic Congressmen Jim Langevin and Patrick Kennedy urging Brown last year to get out of the race to make way for Whitehouse, the candidate anointed by the party bosses.

But all of that would seem silly now because all people would think about was: "But what about that monkeying around with campaign money that he did?"

Now he might be forced to run an ad where he sits behind a desk, looks into a camera and say: "This is what that whole fundraising thing is all about." And it will have to be a full, detailed comprehensive recommendation.

"It was all legal but we gave the money back because it raised questions," isn't going to cut the mustard.

#### **XI. Roll Call: Rothenberg: The Other Guy Named Brown Now Has Problems, Too** March 6, 2006 By Stuart Rothenberg

Apparently, there is something about being named Brown. In Ohio, the decision by Rep. Sherrod Brown (D) to enter the U.S. Senate race after first turning down pleas to run has divided Democrats. Party insiders rallied behind Brown, forcing Iraq war veteran Paul

Hackett out of the contest, even though those same insiders had initially begged Hackett to run before Brown jumped in.

Now, in Rhode Island, another Brown seems to be in the middle of a major screw-up.

Secretary of State Matt Brown, who has fashioned himself as an outsider and reformer, miraculously received contributions from three state Democratic parties. One of those parties, the Massachusetts party, received a contribution from a Brown donor who had already "maxed out" to the Senate hopeful, raising questions about whether the state party checks constituted "laundering" of illegal contributions.

The news, and the developing controversy, was first revealed by Roll Call, and while Brown's campaign has denied that it did anything wrong, the whole situation smells like a week-old flounder left in the hot summer sun.

There obviously are a number of concerns here.

First is the issue of money laundering. It sure looks and sounds as if the Brown campaign and the state parties engaged in a quid pro quo by which Brown contributors would send the parties contributions and the state parties would send contributions to Brown. If that indeed is how things happened, Brown is in deep doo-doo.

Second, why would state parties give to a Democratic Senate candidate who's engaged in a primary? The answer, in part, appears to be that Brown has a staffer who has "friends" in those parties. But that's no answer. State parties never get involved in primaries in other states, and it is hard to imagine what interest the Hawaii Democratic Party could have in a primary in a state 5,000 miles away. Is this part of Howard Dean's new strategy of beefing up state Democratic parties?

Someone at each of the three state parties probably should be fired.

Third, how gullible does the spokeswoman from the Massachusetts party think we are — the one who told Roll Call that the Massachusetts party intended to send \$5,000 checks to both Brown and Whitehouse but ended up sending two checks (one for the primary and one for the general election) to Brown? Do we look that stupid?

My growing suspicions about the Brown campaign are fueled by an incident that occurred just a few weeks earlier.

Earlier this year, Brown's campaign launched a TV blitz, spending much of its limited resources to promote the relatively unknown state officeholder. Not surprisingly, a poll conducted after the blitz showed Brown surging and overtaking his primary opponent, former state Attorney General Sheldon Whitehouse.

There is nothing wrong with any of that. The campaign gambled its early funds to boost Brown's name and image in the hope that he would "catch fire," raise more cash and alter the fundamentals of the race, which clearly favored Whitehouse at the outset.

The campaign rolled the dice and, in a sense, won when its poll numbers spiked.

What bothered me was a Brown campaign release, in which press spokesman Matt Burgess was quoted as saying: "This dramatic 20-point movement in poll numbers can't be explained as just the result of a few weeks of television ads. It's because Matt Brown stands up for what he believes. That's the kind of leadership people are hungry for — not the same-old politics as usual."

Apparently, Burgess, too, figures that we are all brain-dead. Of course, Brown's dramatic movement in the polls is solely a function of the TV ads. So what? There is nothing wrong with that. Why not just admit it? Why spin it in a way that looks like a lie?

Now comes another controversy — a bigger one that involves possible violations of the law. I'm expected to accept another feeble excuse, even though it sounds just as bogus as Burgess' interpretation of his campaign's poll results? Judge for yourselves, but the evidence is mounting about Matt Brown.

Finally, I can't help but reflect on another political controversy that surfaced in the Ocean State this cycle.

Brown University political science faculty member Jennifer Lawless, who is challenging incumbent Rep. James Langevin in the Democratic primary, found herself in a controversy last year when the Brown Daily Herald reported that she had received \$5,500 in contributions from students and their families. At the time, Lawless apparently had a role in evaluating the students' work at Brown.

After the matter became public, Lawless agreed to return the contributions, though she said she didn't believe that "giving or receiving these contributions was at all improper." Not improper? Having taught political science at Bucknell University for three years, I cannot imagine any circumstances under which accepting money from students (and the families of students) with whom I had any academic relationship would have been even close to proper.

At a time when voters are concerned about honesty and integrity, and when Democrats clearly have the advantage nationally on matters of ethics, Democratic candidates ought to make an extra effort to be squeaky-clean. Someone should relay that to Rhode Island and to Democratic state parties around the country.

Stuart Rothenberg is editor of the Rothenberg Political Report.

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**XII. Providence Journal: Brown will return questioned donations**

"I don't want to have anything to do with anything that raises questions at all, so I decided to send back these contributions to those parties," says the candidate for U.S. Senate.

March 4, 2006 BY MARK ARSENAULT

PROVIDENCE -- Secretary of State Matt Brown will refund the full \$25,000 his U.S. Senate campaign solicited from Democratic state parties in Massachusetts, Hawaii and Maine, because the contributions have raised too many questions.

Critics contend the political donations might have skirted campaign-finance laws that cap the amount a single donor may make to a campaign. Brown maintains he did nothing wrong, and insists that the contributions were within the law.

Still, "we are giving it back," Brown said yesterday in an interview, a day after declining to speak personally about the contributions. "All these contributions were completely legal, they were fully disclosed.

"But clearly questions have been raised about this situation in some people's minds, and I don't want to have anything to do with anything that raises questions at all, so I decided to send back these contributions to those parties."

The questions over the contributions date to late last year. Brown's campaign solicited donations from the Democratic parties in Hawaii, Maine and Massachusetts, and the campaign, in turn, urged Brown's contributors to donate money to those party organizations. Campaign-finance watchdogs have said that if the money was exchanged to allow individuals to get around contribution limits, the arrangement could violate federal election laws.

On Wednesday, Jane Sugimura, treasurer of the Hawaii Democratic Party, told the Associated Press that Brown's campaign had struck a deal in which the Hawaii party would give a donation to Brown in exchange for money from Brown supporters, the AP has reported.

But Sugimura on Thursday denied that she had confirmed any quid-pro-quo arrangement with the Brown campaign, according to the AP.

Brown said yesterday that his campaign never tried to funnel money around campaign-finance laws. His campaign field director, Rich Pelletier, who developed numerous contacts as head of the Maine Democratic Party, "reached out to these parties, to these people that he knew, and told them about our campaign, asked for their support, and they agreed. And that was that," Brown said.

"Rich came to me after these parties had agreed to support the campaign. And he said, 'I think it would be great to encourage our supporters to support them.'"

Brown said yesterday he was unsure if the state parties expected to get something in return for making the contributions to his campaign.

"I don't know what their expectation was," he said.

Did Pelletier make a tit-for-tat deal with the out-of-state political parties?

"No," Brown said. "That's not my understanding."

A message for Pelletier, left yesterday with the Brown campaign, was not returned.

Brown said he has always held himself to "the highest standards" and blamed "my opponents" for "using these contributions that are entirely lawful to launch a personal negative attack against me."

Brown's opponent in the Democratic primary, former Attorney General Sheldon Whitehouse, said through a spokeswoman: "As secretary of state, Matt Brown should know better -- and the people of Rhode Island certainly deserve better." [marsenau@projo.com](mailto:marsenau@projo.com) / (401) 277-7231

**XIII. Providence Journal: Brown ensnared in primary-contest fundraising flap**  
Friday, March 3, 2006 BY JOHN E. MULLIGAN

The Democratic candidate's method of getting donations for his Senate primary campaign could, according to one group, approach the line that separates lawful third-party campaign solicitations from unlawful ones.

(John Mulligan, "Brown Ensnared In Primary-Contest Fundraising Flap," Providence Journal-Bulletin, March 3, 2006)

WASHINGTON -- Matt Brown, the self-styled reform candidate in Rhode Island's Democratic Senate primary race, has stepped into a controversy with a fundraising mechanism that critics consider a way of skirting the legal limits on federal campaign contributions.

As Brown's campaign solicited a total of \$25,000 from the Hawaii, Maine and Massachusetts Democratic parties at the end of last year, it asked some of Brown's contributors, in turn, to give money to those state party organizations, the Brown camp has acknowledged.

The fundraising gambit, first reported by the Washington newspaper Roll Call, could carry the Brown campaign close to the fine line that separates lawful third-party campaign solicitations from unlawful ones, according to Larry Noble of The Center for Responsive Politics, a nonpartisan campaign-finance monitoring group.

"For a candidate who has focused on ethics, even a whiff of impropriety is damaging," said Senate campaign analyst Jennifer Duffy of the Cook Political Report in Washington.

Early yesterday, as Brown drew criticism from independent analysts and from the campaign of primary opponent Sheldon Whitehouse, it fielded an overnight voice mail from Hawaii Democratic Treasurer Jane Sugimura, demanding the return of its \$5,000 contribution to Brown, the campaign confirmed.

Late in the day, Brown launched an e-mail asking contributors to give his campaign more money to "fight back" against what he termed negative campaigning by his Democratic rival.

Brown declined interview requests through his spokesman, Matt Burgess. The Brown staffer in the center of the brouhaha, field director Rich Pelletier, did not answer repeated phone messages. Whitehouse spokeswoman Alex Swartzel said Brown should publicly answer questions about the propriety of his fundraising practices.

Joseph E. Sandler, a Washington specialist in campaign finance law who is Brown's campaign counsel, said that he looked into the contributions after the fact and satisfied himself that "nothing inappropriate, let alone illegal" was done by Brown or his staff.

Sandler said that Pelletier, the Maine Democratic Party's executive director before he joined Brown in December, used his contacts to solicit contributions from the parties in Maine, Massachusetts and Hawaii.

"He was asking them to do a favor for the campaign based on his personal relations with them," while making "a commitment that he would try to raise money for them" through Brown's donor rolls, Sandler said.

Sandler said he did not review in advance the Brown campaign's solicitations to the state parties or to the individuals asked to give money to those parties. Rather, he said he determined the lawfulness of the transactions by talking to staff after the fact.

But Sandler acknowledged gaps in his knowledge. He said he did not know whether Pelletier solicited money from state parties besides those in Hawaii, Maine and Massachusetts. He said he did not know how many individuals Brown's campaign solicited to give money to those state parties -- nor how much they gave.

Under election law, Sandler said the key issue involves donors who had already given Brown's campaign the \$4,200 legal maximum. "The question is was any donor told that the reason they should give to the state party" is that the party would "in effect wash the money through the party" by giving the same sum to Brown.

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"Clearly that didn't happen here," Sandler said, because the Brown campaign understood that issue when it made the solicitations.

Sandler's description of Brown's fundraising contrasted with campaign spokesman Burgess' explanation of about a month ago. Burgess said that Pelletier succeeded in getting donations from Hawaiians and Mainers, like other Brown supporters, who were attracted to the candidate's positions on abortion and the war in Iraq.

In a printed statement, Maine Democratic Chairman Pat Colwell, said the party decided to give Brown's campaign \$10,000 "out of respect" for Pelletier's work. But Colwell said, "At the time we contributed, we didn't know there was a primary." He said the Maine party never got a contribution "earmarked" for a federal candidate -- the election law's terminology for the illegal giving described by Sandler.

In an interview Wednesday night, Hawaii Democratic Treasurer Sugimura said the Brown campaign's sales pitch to the party's executive director was essentially this: Brown "is a Democrat and he's running and would we donate?"

But Sugimura said, "We didn't know Brown was in a primary."

Burgess was asked last night: Is Matt Brown satisfied that his campaign dealt straightforwardly with the Democratic officials in Hawaii and Maine?

"Everything was completely lawful," Burgess said. Yesterday morning when Brown staffers opened the office, Sugimura had left a voice mail seeking the return of the \$5,000 that it had given Brown on Jan. 31, according to Burgess. He said Brown will comply.

Brown had earlier complied with the request of Massachusetts to send back \$5,000

Of its \$10,000 contribution to the Brown campaign. Roll Call quoted a Bay State party spokeswoman saying the party had meant to give to both Whitehouse and Brown.

The paper said one Rhode Islander's contributions raise questions about the propriety of the Brown fundraising.

According to federal campaign records, Richard L. Bready, the Rhode Island socialite and philanthropist who is chairman and chief executive of Nortek, last March gave Brown's campaign the maximum permissible contribution of \$4,200 -- half for the primary election and half for the general. His wife, restaurateur Cheryl Bready, also gave the maximum later in the year.

Then on Jan. 5, according to the Federal Election Commission's online records, Bready gave \$5,000 to the Massachusetts Democratic Party.

Bready did not answer telephone messages.

With staff reports by Mark Arsenault.  
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#### **XIV. The Associated Press: Hawaii Democrats to pay back questionable campaign money**

By Mark Niese, Associated Press Writer | March 3, 2006

HONOLULU --Seeking to fix a "mistake," the Hawaii Democratic Party will reverse a series of transactions that channeled \$5,000 to a Rhode Island candidate for the U.S. Senate, the state party chairman said Thursday.

"We are going to return the funds. We want to rectify this as soon as possible," said state Democratic Party Chairman Brickwood Galuteria. "We realized we had made a mistake."

Hawaii Republican Party Chairman Sam Aiona said he believes the transaction reported by The Associated Press on Wednesday was illegal.

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The Hawaii Democratic Party gave the \$5,000 donation to Rhode Island Secretary of State Matt Brown, who is running for the Democratic nomination to the Senate on a clean-government platform. A few weeks later, in January, a mainland donor made a \$6,000 contribution to the Hawaii Democratic Party.

Galuteria said the party would seek to get the money back from Brown and return the donation it received from the unidentified donor.

A spokesman for Brown, Matt Burgess, confirmed that his campaign had been asked to return the money to the Hawaii Democratic Party.

"We are returning the contribution to them," Burgess said in an e-mail.

Members of the Hawaii party said their error was in supporting a candidate in a primary race rather than a general election because they don't usually take sides between two members of their own party.

But the party disputes that there was a deal in place to support Brown in exchange for the unidentified mainland donor's contribution, said Jane Sugimura, the party's treasurer.

"We didn't do anything wrong," Sugimura said. "I don't know what the uproar or the fuss is about."

On Wednesday, Sugimura told an AP reporter several times over two phone conversations that the Brown campaign struck a tit-for-tat deal in which the Hawaii party gave a donation in exchange for money to be received from Brown supporters. However, Sugimura said Thursday that she did not confirm a tit-for-tat arrangement.

If there was a money exchange to avoid campaign donation limits on individuals, it could violate federal election laws, according to the Center for Responsive Politics, which monitors fundraising and spending in political races.

The Brown campaign claims that the funding was not part of a deal to get around campaign finance rules, said Joseph E. Sandler, the campaign's legal counsel. He said the Brown supporters who solicited the donations to state parties in Hawaii and other states were careful not to suggest that the money be earmarked for the Brown campaign.

The Brown campaign acknowledged that it encouraged donors to give to state parties in Hawaii, as well as Massachusetts and Maine, which also contributed to Brown's campaign, Burgess said.

The identity of the donor to the Hawaii Democratic Party is still unknown. Party officials say they have the name in their records, but they won't know who it is until they look up that information.

Until the identity is released, it's impossible to tell whether the donor had already reached the contribution limit in Rhode Island and was filtering the money through Hawaii to circumvent federal law.

"This is an example of how the private funding of elections is out of control," said University of Hawaii political science professor Ira Rohter. "It's standard operating procedure. You could probably discover this kind of stuff happens all over the states."

Aiona, the GOP chairman, said it would take a state or federal investigation to determine whether any laws had been broken.

"It is our understanding that what occurred with the Democratic Party was illegal. It really makes you wonder what else is going on in their party that we don't really know about," he said.

The Hawaii Campaign Spending Commission, which oversees campaign financing, is not likely to investigate this case because it would fall under the jurisdiction of the Federal Election Commission, said commission Executive Director Barbara Wong. Officials for the FEC couldn't be reached Thursday afternoon.

Brown has made clean government the central theme of his candidacy.

Just last week, he proposed a program to publicly finance campaigns for federal office, saying special interests had more influence in Washington than regular people. He has also called for the creation of an independent federal ethics commission.

The transactions have been called into question by Brown's political opponents.

State Republican Party Chairwoman Patricia Morgan on Thursday issued a statement saying Brown, who oversees elections in his role as Secretary of State, "should know better" and that he was trying to bend the rules.

-----AP reporter Michelle R. Smith in Providence, R.I., contributed to this report.

#### **XV. Roll Call: Party Donor Had Maxed Out to Brown**

March 2, 2006 By Lauren W. Whittington

Even as his campaign aides sought Wednesday to defend contributions he has received from three state Democratic committees, campaign finance records raise new questions about the propriety of the donations Rhode Island Senate candidate Matt Brown (D) collected on the final day of 2005 from those parties.

Federal Election Commission reports show that a donor who had already maxed out to the Rhode Island secretary of state's campaign contributed to the Massachusetts Democratic Party just days after that state party gave money to the Rhode Island Senate hopeful.

Richard Bready, the CEO of Providence-based Nortek, Inc., a Fortune 500 company, donated \$5,000 to the Massachusetts Democratic State Committee federal fund on Jan. 5, one week after checks totaling \$10,000 had been cut to Brown from the same account.

FEC records also show that Bready, who had already given the maximum \$4,100 to Brown, has not aggressively contributed to partisan organizations or candidates outside of his state in the past three election cycles. In the 2004 cycle, he gave to the presidential campaign of Sen. John Kerry (D-Mass.) and the Democratic National Committee and on the last day of 2005, he gave \$4,000 to Rep. Marty Meehan (D-Mass.).

A Brown spokesman acknowledged earlier this week that the campaign had suggested to a few donors that they give money to the state parties that had been helpful to Brown.

However, if those donors had already given the maximum amount to Brown's campaign — as is the case with Bready — the contributions to those parties could be considered a violation of campaign finance laws.

On Wednesday, the Brown campaign continued to defend the donations it received on the last day of 2005 from the Massachusetts, Maine and Hawaii Democratic Parties as nothing more than business as usual in what is considered one of the top Senate races of the cycle.

The Massachusetts party has since asked Brown to refund \$5,000 of the \$10,000 it gave and they plan to give that same amount to his Democratic primary opponent, former state Attorney General Sheldon Whitehouse.

"We've always encouraged our supporters who want to help elect Democrats to support organizations we're familiar with," Brown spokesman Matt Burgess said.

Brown is locked in a tough primary race with Whitehouse, and it is uncommon for state parties to take sides — or give the appearance that they are — in competitive contests.

"Based on the facts that we know, this looks like these contributions from the state parties were completely lawful and appropriate and there is nothing untoward about them," said attorney Joe Sandler, who is serving as counsel to the Brown campaign.

Brown has billed himself as the outsider and reform candidate in the Democratic primary. Just last week he proposed a public financing plan for campaigns.

Burgess said the questioning of the donations amounted to nothing more than a "negative personal political attack" from the Whitehouse campaign. He charged that the former Attorney General had resorted to similar negative campaign tactics against another Democrat when polls showed him behind in his 2002 gubernatorial primary with Myrth York.

Steve Hildebrand, a consultant to Whitehouse's campaign, brushed aside those charges and said it is Brown who should worry about the state of his campaign.

"[Tuesday] Matt Brown's campaign admitted that they've encouraged donors to contribute to some Democratic parties who in exchange would then contribute to Matt Brown's campaign," Hildebrand said. "That is not lawful activity. He should apologize to those parties for putting them in this position and figure out how to clean up his campaign."

#### **XVI. The Associated Press: Hawaii Democrat says party traded money with Brown**

By M L. Johnson, Associated Press Writer | March 1, 2006

PROVIDENCE, R.I. --Secretary of State Matt Brown, who is running for the U.S. Senate on a clean government platform, received donations from three state Democratic parties and at least one may have violated campaign finance laws, The Associated Press has learned.

In one case, his campaign struck a deal in which the Hawaii Democratic Party would give a \$5,000 donation to Brown and in exchange, the party would receive money from Brown supporters, Jane Sugimura, the party's treasurer told the AP.

"That's what my understanding was," Sugimura said in a phone interview.

The arrangement could violate federal law if the donation to the party was earmarked for Brown and came from someone who had reached the legal limit for individual donations to the campaign, said Larry Noble, executive director of the Center for Responsive Politics, which monitors fundraising and spending in political races.

It was not immediately clear who gave the donation.

Brown faces former Attorney General Sheldon Whitehouse in the Democratic primary for the Senate seat held by Republican Lincoln Chafee, who is running against Cranston Mayor Steve Laffey.

Typically, state parties do not get involved in primary races. In Rhode Island, for example, neither the state Democratic or Republican party has donated to or endorsed candidates in the Senate race. They usually wait until after the primary to throw the victor their support.

Richard Pelletier, field director for Brown's campaign, said the deal he struck with the Hawaii party was slightly different from what Sugimura described.

"We told them that if they were willing to donate to us, we would be willing to help them raise that money," he said.

Brown's spokesman, Matt Burgess, denied wrongdoing, but acknowledged the campaign has encouraged donors to give to state parties in Hawaii, Massachusetts and Maine -- which also donated to Brown's campaign. He said Brown was not available for comment.

"We always encourage our supporters who want to elect Democrats to help organizations who have been helpful to us," Burgess said.

Sugimura, one of two people who had to approve the Hawaii donation, said she spoke with Pelletier about the deal once, late last year. They discussed the address where she should send the check to Brown's campaign, and he told

her there would be a donation given to the state party. The money came in later, after the party gave the money to Brown, she said.

She said she was not in her office and did not know who gave the money to the party, or how much they gave.

Pohai Ryan, executive director of the party, said she did not immediately have access to the records and could not provide the information. Ryan said Pelletier approached her for the donation because they became acquainted when he was executive director of the Maine Democratic Party. She said she was unaware of any wrongdoing.

"I'm not aware of a tit for tat. I don't know what the final arrangements were," she said.

Noble said it is not unusual for campaigns to direct their most generous donors elsewhere once they've reached the individual contribution limit. But if they donate to somebody else knowing the money will be funneled back to the candidate, that's illegal.

"It's a fine line and it really depends on what the contributor knew," said Noble, a former general counsel for the Federal Elections Commission.

The Massachusetts and Maine parties each donated \$10,000 to Brown in December, according to the most recent campaign finance report Brown filed with the Federal Elections Commission. The donations came as Brown's fundraising had slowed and he was about to embark on a major television advertising campaign.

Cyndi Roy, spokeswoman for the Massachusetts Democratic Party, said a Brown staffer solicited the donation.

"We realize that this is a very important race and it is one of our best shots for reclaiming a seat for a Democrat," she said.

She said the party meant to give \$5,000 each to Brown and Whitehouse, but all the money was accidentally sent to Brown, Roy said. Burgess said Brown has since returned \$5,000 to that party at its request.

Pat Colwell, chairman of the Maine Democratic Party, issued a statement saying the party donated to Brown at Pelletier's request, but would only donate to other state parties in the future.

"Look, were all on the same side," Colwell said. "We are committed to electing Democrats across the state and country."

Alex Swartsel, spokeswoman for Whitehouse's campaign, said Brown's campaign showed a lapse in ethics.

"This is a time when honesty and integrity in our elected officials are more important than ever," Swartsel said. "To engage in what is at best a questionable tactic and at worst an illegal one is a very serious issue."

#### **XVII. AP NewsBreak: Hawaii Democrat says party traded money with Brown**

By M.L. Johnson, Associated Press Writer | March 1, 2006

PROVIDENCE, R.I. --Secretary of State Matt Brown, who is running for the U.S. Senate on a clean government platform, received donations from three state Democratic parties and at least one may have violated campaign finance laws, The Associated Press has learned.

In one case, his campaign struck a deal in which the Hawaii Democratic Party would give a \$5,000 donation to Brown and in exchange, the party would receive money from Brown supporters, Jane Sugimura, the party's treasurer told the AP.

"That's what my understanding was," Sugimura said in a phone interview.

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Pohai Ryan, executive director of the party, said she did not immediately have access to the records and could not provide the information. Ryan said Pelletier approached her for the donation because they became acquainted when he was executive director of the Maine Democratic Party. She said she was unaware of any wrongdoing.

"I'm not aware of a tit for tat. I don't know what the final arrangements were," she said.

Noble said it is not unusual for campaigns to direct their most generous donors elsewhere once they've reached the individual contribution limit. But if they donate to somebody else knowing the money will be funneled back to the candidate, that's illegal.

"It's a fine line and it really depends on what the contributor knew," said Noble, a former general counsel for the Federal Elections Commission.

The Massachusetts and Maine parties each donated \$10,000 to Brown in December, according to the most recent campaign finance report Brown filed with the Federal Elections Commission. The donations came as Brown's fundraising had slowed and he was about to embark on a major television advertising campaign.

Cyndi Roy, spokeswoman for the Massachusetts Democratic Party, said a Brown staffer solicited the donation.

"We realize that this is a very important race and it is one of our best shots for reclaiming a seat for a Democrat," she said.

She said the party meant to give \$5,000 each to Brown and Whitehouse, but all the money was accidentally sent to Brown, Roy said. Burgess said Brown has since returned \$5,000 to that party at its request.



Pat Colwell, chairman of the Maine Democratic Party, issued a statement saying the party donated to Brown at Pelletier's request, but would only donate to other state parties in the future.

"Look, were all on the same side," Colwell said. "We are committed to electing Democrats across the state and country."

Alex Swartsel, spokeswoman for Whitehouse's campaign, said Brown's campaign showed a lapse in ethics.

"This is a time when honesty and integrity in our elected officials are more important than ever," Swartsel said. "To engage in what is at best a questionable tactic and at worst an illegal one is a very serious issue."

#### **XVIII. Roll Call: Three State Parties Donated to Brown**

March 1, 2006 By Lauren W. Whittington

(Lauren W. Whittington, "Three State Parties Donated To Brown," Roll Call, March 1, 2006)

The Senate campaign of Rhode Island Secretary of State Matt Brown (D) said Tuesday that some donors had been steered to contribute to three state Democratic parties that had given a total of \$25,000 to his campaign.

The donations from the states angered Brown's Democratic primary opponent and a campaign watchdog suggested that they could represent a violation of campaign finance laws.

By contributing to Brown on the last day of 2005, the Hawaii, Maine and Massachusetts Democratic parties seem to have unwittingly waded into the hotly contested Rhode Island Senate primary between Brown and former state Attorney General Sheldon Whitehouse (D).

Federal Election Commission records show that two of the three state parties donated \$10,000 each — \$5,000 for the primary and \$5,000 for the general — to Brown on Dec. 31, 2005. The Democratic Party of Hawaii gave \$5,000 on that same date for the primary.

Brown spokesman Matt Burgess acknowledged that the campaign had asked a few of its donors to contribute to those state parties, where Brown campaign staffers have previous ties.

"We've let our supporters know who's been helpful to us," Burgess said.

It's unclear which supporters were asked to give to the state parties and whether those few donors had already given the maximum contribution allowed to the Brown campaign.

Fred Wertheimer, the head of Democracy 21, a campaign finance watchdog group, called the practice at the very least "highly unusual" and said that the movement of money is sure to prompt further questions.

The transactions could be considered a violation of campaign financing laws if those donors had already given the maximum contribution allowed to Brown and were instructed by his campaign to give to the state parties.

Two of the three state party committees denied any wrongdoing, with one of the committees saying that state party leaders also intended to give to Whitehouse. Neither of those state parties appears to have given to any other Senate candidates this cycle.

Brown and Whitehouse are locked in a heated contest, with Whitehouse considered the favorite among party insiders to win the nomination.

The winner of the Democratic race will face either Sen. Lincoln Chafee (R-R.I.) or Cranston Mayor Stephen Laffey, who are battling in the Sept. 12 GOP primary.

Steve Hildebrand, a consultant to Whitehouse's campaign, said that the situation only underscores how amateur his opponent's campaign is.

"Brown must be so desperate to raise money to play this kind of dangerous game," he said. "Why they thought no one would notice that three state parties made contributions shows how unskilled they are at this."

On Tuesday, a spokeswoman for the Massachusetts Democratic Party explained that the party had intended to send \$5,000 to each of the Rhode Island candidates, but that the separate general election and primary checks ended up only going to Brown.

The party has since asked Brown to refund \$5,000 and the Massachusetts Democrats plan to, in turn, donate that amount to Whitehouse's campaign. Brown's campaign has mailed the refund and party spokeswoman Cyndi Roy said that the Bay State Party "should be receiving it any day."

Roy also said that she was not aware that the party had donated to any other Senate candidates this cycle and that the state party had been approached specifically about this race by a Brown campaign staffer who the party had worked with before.

"We realize that this is a huge race," Roy said. "It's one of the best shots that we have at reclaiming a Senate seat. It was intended for both campaigns."

But Jane Sugimura, the treasurer of the Hawaii Democratic Party, indicated that the Aloha Democrats knew very little about the Rhode Island race and that the donation resulted from a request.

"I think it was just one of those requests that came in, and we had available money and so we gave," she said. "I don't believe there was a whole lot of discussion about it."

Sugimura said that while it is common for the party to give to other state Democratic parties, and vice versa, it is uncommon for candidates from other states to request donations. She added that in the future the party may be less inclined to grant such requests.

"I think in retrospect, maybe we'll just not give to candidates and we'll just give to state parties when they request," she said.

Sugimura said she was not currently aware of any plans to donate to Whitehouse.

"I haven't heard anything about giving to his opponent," she said. "In fact, we really don't know a whole lot about the race."

A spokesman for the Maine Democratic Party said that Party Chairman Pat Colwell was in meetings Tuesday and could not be reached for comment.

At the end of 2005, Whitehouse had close to \$1.6 million in the bank while Brown had just less than \$500,000.

Although it is unheard of for any state party to wade into a competitive primary, Burgess, Brown's spokesman, defended the donations, citing the national importance of the Rhode Island contest in Democrats' overall effort to win seats this fall.

"Matt gets support from all over the country," Burgess said. "And this is one of the top Senate races, most competitive races in the country."

Burgess said that the donations resulted from the fact that staffers on the campaign had personal ties to those three state parties. For example, one of Brown's campaign aides is a former executive director of the Maine Democratic Party.

But Hildebrand charged that the state parties weren't presented with the full picture when Brown's campaign came seeking the donations.

"They were led to believe that there wasn't a primary," Hildebrand said. "Matt Brown has a history of deceiving potential donors. He's got a character flaw and he's desperate for funds."

Burgess declined to respond to the charge that the parties were misled.

Meanwhile, knowledgeable sources said Sen. Edward Kennedy (D-Mass.) was none too pleased when he learned that his state party appeared to be taking sides in the contest. Kennedy's son, Rep. Patrick Kennedy (D-R.I.), is serving as one of Whitehouse's campaign co-chairmen.

The Senator contacted Massachusetts party leaders, who sources said were angry to learn Brown wasn't the only Democrat in the race.

One Democratic operative who managed a high-profile Senate race last cycle said it is extremely uncommon for a campaign to reach out to other state parties for donations, and just as unlikely that those parties would comply.

"It's highly unusual," said Jim Cauley, who managed now-Sen. Barack Obama's (D-Ill.) campaign in 2004. "I just can't imagine that state parties are that flush that they can spend money in another state."